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WATCH COMMITTEE NOTES

16 February 1955

Offshore Islands

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Available information does not indicate CC about to undertake major attacks on Nanchishan, Matsus or Chinmens - but CCs are increasing capabilities to attack with little or no warning. CC's are particularly developing capacity to interdict access to Matsus and Chinmens by artillery fire.

- construction of artillery emplacements on mainland N and NE of Chinmen continuing - total of 503 believed to exist - increase of 50 since Nov. Not all with guns in place yet, but much movement of artillery along coast in Amoy area.
- continued development of artillery NW of Matsus on Peiling Pen. 13 $\frac{1}{2}$ miles away.
- indications point to resumption of ^{SOME SORT OF} offensive action against offshore islands.
- capabilities for air attacks on Nanchishan from Shanghai-Ningpo airfield complex remain high; about half of the CCAF complement of MIG-15s, (300); TU-2s, (100); IL-10s, (45); are now in the Shanghai area.

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Soviet and Chinese Communist statements on the 5th anniversary of the Sino-Soviet Pact reflected stronger Soviet support.

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- this particularly clear in Bulganin's reported pledges of "full support" and that Soviet help would be forthcoming when needed.
- CC propaganda described liberation of Tachens as creating conditions favorable to liberation of Taiwan.

Eastern Europe-USSR

Soviet training program for forces in Germany roughly normal for this time of year - largely firing practice at ranges, small unit operations.

Soviet hints at withdrawal from Poland in event of evacuation of foreign troops from Germany linked to all-German elections for unity. Proposal regarded as play to West German opinion against Paris agreements since negotiations on Germany to be impossible if Paris agreements are ratified.

Soviet 1955 Budget reveals 24 per cent cut in allocations to light industry showing substantial drop in growth of consumer goods production. Bulganin's attention to need for replenishing State Reserves, drawn down during period of emphasis on consumer goods, adds pressure on consumer supplies.

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